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FOR INFORMATION

GREETING CARD AND RELATED OPERATIONS

Provisional report of the 1990 season

(covering the period 1 May 1990-30 April 1991)

SUMMARY

The present document presents the provisional results for the 1990 season (1 May 1990-30 April 1991) of the UNICEF Greeting Card and Related Operations (GCO).

Table 2 compares 1989 actual results with the 1990 budget and provisional results.

Sales of greeting cards for the 1990 season are projected at 157 million units (an increase of 4.2 million cards over 1989), with gross proceeds forecast at $125 million ($17.5 million higher than 1989).

The net operating profit for GCO products is projected at $59 million, (47.2 per cent of gross proceeds). Total consolidated net operating profit is forecast at $75.4 million, including $14.5 million from private sector fund-raising and $1.9 million from special fund-raising events and new initiatives.

After including the exchange rate gain of $9 million (estimated gain on the revaluation of GCO non-United States dollar assets), the total GCO contribution to UNICEF general resources is estimated at $84.4 million (net profit consolidated).

Introduction

1. This provisional performance report of the Greeting Card and Related Operations (GCO) and related activities during the 1990 season is based on sales estimates received from each of the six market regions and on expenditure estimates for the 12-month period ending 30 April 1991.

2. As in the GCO financial report, comparisons are made with the previous year's results (1989). In addition, table 2 shows comparison with the 1990 approved work plan and budget.

Sales

3. Sales reports for the six market regions indicate that card volume will be a record 157 million units and exceed the 1989 actual results by 4.2 million cards. This increase is due to higher volume in all regions. Sales by region for 1990 (based on estimates as of 15 January 1991) compared with 1989 actual sales are shown below:

Table 1. Sales by region, 1990

(In millions of cards and millions of United States dollars)

Region	1989		1990		Variance	
	Cards sold	Amount	Cards sold	Amount	Cards sold	Amount
I. North America	19.4	14.9	19.7	16.2	0.3	1.3
II. Latin America	10.4	5.7	10.9	6.5	0.5	0.8
III. Asia	5.6	3.7	6.4	5.0	0.8	1.3
IV. Pacific, India and Pakistan	10.1	4.3	10.2	4.6	0.1	0.3
V. Europe	102.1	73.9	104.4	86.7	2.3	12.8
VI. Africa and Middle East	4.8	5.0	5.0	6.0	0.2	1.0
All regions	152.4	107.5	156.6	125.0	4.2	17.5

Gross proceeds

4. Gross proceeds for the 1990 campaign are expected to reach $125 million, $17.5 million (16 per cent) higher than in 1989. This increase is due to higher volume (3 per cent), price increases in major markets (3 per cent) and the favourable impact on revenues caused by the weakening of the United States dollar (10 per cent).

Commissions and direct expenses at field offices

5. Commissions amounted to $30.8 million, which included funds retained by National Committees for UNICEF and other sales partners, expenses incurred at field offices and commissions paid to consignees. As a percentage of gross proceeds, commissions and direct expenses at field offices are estimated at 24.6 per cent, the same as in the actual 1989 and 1990 budget, but 0.4 per cent below the goal of 25 per cent.

Expenditure

Cost of goods delivered, freight, duties/taxes and promotional materials

6. This expenditure is estimated to be $26 million, an increase of $4 million compared with 1989. As a percentage of gross proceeds, the cost of goods delivered, freight, duties, taxes and promotional materials is estimated at 20.8 per cent, 0.4 per cent higher than in 1989.

Operating costs

7. Operating costs for 1990 are forecast at $15.2 million, an increase of $1.7 million compared with 1989. As a percentage of gross proceeds, 1990 operating costs are 12.2 per cent, compared with 12.6 per cent in 1989, a reduction of 0.4 per cent.

Other income

8. Other income for 1990, generated mainly from royalties on licensed products and revenues from National Committee products, is estimated at $6 million, compared with $6.4 million in 1989. This item also includes prior year adjustments and write-offs, which will only be evaluated at the end of the campaign, but which have been considered in the estimate.

Net operating profit - GCO products

9. The net operating profit on GCO products for 1990 is projected at $59 million (47.2 per cent of gross proceeds), $7 million higher than in 1989 and $7.6 million above the 1990 budget.

Net operating profit - private sector fund-raising

10. The net operating profit from private sector fund-raising is estimated at $14.5 million, $3.4 million (31 per cent) higher than the 1989 actual results and $6.8 million (88 per cent) more than the 1990 budget. This income originates mainly from GCO-supported National Committee direct mail campaigns. As requested by the Executive Board, income from private sector fund-raising is shown separately from GCO product-related income.

Net operating profit - special fund-raising events and new initiatives

11. The estimated net operating profit of $1.9 million (the same as budgeted) from special fund-raising events and new initiatives was generated (through National Committees) from the Danny Kaye International Children's Awards programme held in several countries and from local special events. As requested by the Executive Board, income from special fund-raising events is shown separately from GCO product-related income.

Net operating profit - consolidated

12. The consolidated GCO net operating profit for 1990 is estimated at $75.4 million, $12.3 million (20 per cent) higher than 1989 actual results and $14.4 million (24 per cent) above the 1990 budget.

Exchange rate adjustment

13. An estimated exchange rate adjustment of $9 million results from gains caused by the revaluation of GCO non-United States dollar assets. It also includes actual exchange rate gains on prior year accounts receivable.

Net profit - consolidated

14. The consolidated GCO net profit is $84.4 million, including a $9 million estimated gain on exchange rate variations. This represents an increase of $22.7 million (37 per cent) over 1989 actual results and $23.4 million (38 per cent) over the 1990 budget.

Table 2. Income statement for 1989, budget for 1990 and provisional report for 1990

	1989 Actual		1990 Budget		1990 Provisional		Variance	
							1990 Provisional vs. 1989 actual	1990 Provisional vs. 1990 budget
Number of cards sold (millions)	152		150		157		5	7
	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Millions of US dollars
Gross proceeds	107.5	100.0	111.3	100.0	125.0	100.0	17.5	13.7
Less: Commissions and direct expenses at field offices	26.4	24.6	27.4	24.6	30.8	24.6	4.4	3.4
Net sales	81.1	75.4	83.9	75.4	94.2	75.4	13.1	10.3
Less: Total cost of goods delivered	22.0	20.4	22.5	20.2	26.0	20.8	4.0	3.5
Less: Operating costs	13.5	12.6	15.0	13.5	15.2	12.2	1.7	0.2
Add: Other income – net	6.4	6.0	5.0	4.5	6.0	4.8	(0.4)	1.0
Net operating profit – GCO products	52.0	48.4	51.4	46.2	59.0	47.2	7.0	7.6
Add:								
Net operating profit – private sector fund–raising	11.1		7.7		14.5		3.4	6.8
Net operating profit – special fund–raising events and new inititatives	–		1.9		1.9		1.9	0.0
Net operating profit – consolidated	63.1		61.0		75.4		12.3	14.4
Less: Exchange rate adjustment	1.4		–		(9.0)		(10.4)	(9.0)
Net profit – consolidated	61.7		61.0		84.4		22.7	23.4